Recommendations of working group on Non-Banking Financial Companies

*104. SHRI SUSHILKUMAR SAMBHAJIRAO SHINDE :
SHRIMATI VEENA VERMA :†

Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that the Working Group on non-banking financial companies, set up by the Reserve Bank of India, has recommended uniform regulations for all such companies having a turn over and net-owned funds above a prescribed level, irrespective of the classification;

(b) If so, what are the precise observations, findings and recommendations of the Working Group; and

(c) what decision has been taken in the light thereof ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH) : (a) to (c) A Statement is laid on the Table of the House.

Statement

(a) The Working Group on Financial Companies set up by Reserve Bank of India has recommended uniform regulations for non-banking financial companies having net owned funds of Rs. 50 lakhs and above irrespective of their classification.

(b) The major observations and recommendations of the Working Group are as under :—

Observations and findings

(i) Growth and diversification of non-banking financial companies (NBFCs) is an integral part of the development process of the financial market of the economy. The approach of the Group revolves round the conviction that a thriving, healthy and and growing non-banking financial sector is necessary for promoting the growth of an efficient and competitive economy. From the angle of depositors' protection and efficacy of monetory and credit policy, it is necessary to have a well-integrated regulatory framework which, while monitoring and supervising the operations of NBFCs, recognises and even encourages the emergence of new types of financial services and products.

(ii) The number of NBFCs has increased from 7063 in 1981 to as many as 24009 in 1990, registering a compounded annual growth of about 14 percent. Deposits with these companies grew ten-fold during this period.

(iii) Non-bank deposits as a ratio of gross financial savings of the household sector went up from 2 percent in 1981-82 to 7.9 percent in 1989-90. Although deposits with non-banking financial companies in relation to total bank deposits still forms a small percentage, there is enough evidence of acceleration in the growth of these deposits which underlines the need for effective regulation.

(iv) The need for bringing NBFCs under the regulatory framework arises not only for insuing their healthy growth but also for improving the efficacy of the credit and monetory policy as well as for inculcating healthy financial discipline among both providers and users of credit.

Recommendations

(i) Dismantling of category-wise classification and application of uniform regulations for Non-Banking Financial Companies.

(ii) Regulatory attention to be on companies with net owned funds of Rs. 50 lakhs and over.

(iii) Entry norms for new companies.

(iv) Shifting of focus of regulation from liability side to asset side of the companies.

(v) capital adequacy standard to be introduced based on risk weights for assets and credit conversion factors for off

†The question was actually asked on the floor of the House by Shrimati Veena Verma.

balance sheet items. Pending implementation of the capital adequacy norm, overall debt-equity ratio be 15 : 1.

(vi) The amount of funds placed under portfolio Management Scheme may be related to net owned funds of a Company.

(vii) The time periods for acceptance of deposits by Non-Banking Financial Companies should range from 12 months to 84 months.

(viii) Interest rates on deposits accepted by Non-Banking Financial Companies should be pegged at 2 to 3% over the rates offered by commercial banks.

(ix) Norms be prescribed for income recognition, transparency of accounts, provision for bad and doubtful debts.

(c) The recommendations of the group have been accepted in principle by Reserve Bank of India. These will be implemented in a phased manner.

SHRI SUSHILKUMAR SAMBHAJIRAO SHINDE : It has come to light that the Big Bull and the Bear Cartel, fighting fiercely in the stock market, have their own financial non-banking institutions like Fairgrowth and the CIFCO of U.K., and according to Harshad Mehta's Press statements, it is due to the Bear Cartel playing through the Citibank and their foreign contacts and firms that hundreds of crores of rupees have flown out of the country to foreign countries. Sir, I would like to know what steps have been suggested by the Working Group and are contemplated by the Government to ensure that funds do not find their way abroad through the financial institutions floated by these stockbrokers abroad including those through their *hawala* deals.

श्री दलबीर सिंह : सर, क्वेश्चन कुछ डिफरेंट है, शायद माननीय सदस्य ने प्रश्न पढ़े नहीं होंगे । आर० बी० आई० ने एक वर्किंग ग्रुप गठित की थी और इस में बैंक ऑफ बड़ौदा के चेयरमैन डा० ए० सी० शाह इसके चेयरमैन थे । वर्किंग ग्रुप ने अपनी सिफारिशें पेश की हैं । यह मई, 1992 में बनी थी, जिसकी रिपोर्ट अभी सितम्बर, 1992 में आर० बी० आई० को मिल गई है । इसकी रिकमेंडेशन्स अभी मिली हैं । लगभग 9 रिकमेंडेशन्स हैं । नान बैंकिंग फाइनेन्शियल कम्पनीज जो हैं, दरअसल हमारे हिन्दुस्तान में 1981 में इनकी संख्या लगभग 7000 थी और यह अभी बढ़कर लगभग 30000 हो गई है । तो सर, इसमें यही सुझाव है कि जो 50 लाख रुपये और इससे अधिक पूंजी वाली नान बैंकिंग फाइनेंशियल कम्पनीज है, उनके लिए एक ही समान रेग्युलेशन्स बनाए जायें और इससे कम जिनकी केपिटल या पेड-अप मनी है, उनको भी यह कहा गया है · · · (**व्यवधान**)

श्री सुशीलकुमार सम्भाजीराव शिन्दे : ओन्ड फंड्स ।

श्री दलबीर सिंह : ओन्ड फंडस है वह, उनको भी कहा गया है कि इस रेग्यो तक आप आइये । यह जो 8 या 9 सजेशन्स हैं, आर० बी० आई० के पास आ गई हैं, उसमें प्रोसेस चल रहा है, उसमें यह भी कहा गया है It is to be accepted, और फेज्ड मैनर में इसको इम्पलीमेंट करने की कोशिश की जा रही है ।

श्री सुशीलकुमार सम्भाजीराव शिन्दे : सभापति जी, मैंने स्पेसिफिक क्वेश्चन पूछा था · ·

MR. CHAIRMAN : Second supplementary.

SHRI SUSHILKUMAR SAMBHAJIRAO SHINDE : Not the second but the first. The first supplementary has not been replied to properly. Thereby, the question remains the same. Specifically Harshad Mehta has been saying to the Press that this has been done by the Citibank and others through *havalas*. That question has not been replied to. What recommendations has been made by the Working Group ? That will not serve the purpose. Thereby, I think ...

नहीं, इसी के लिए मैं कहना चाहता हूं। यह देखते हुए कि वक्त कम है, मेरा सेकिण्ड सप्लीमेंटरी यह रहेगा कि महाराष्ट्र में गए तीन साल में ऐसे कितने फ्राड हो गए हैं जो शासन के ध्यान में आ गए हैं ? इतना तो बता दीजिए।

SHRI DALBIR SINGH : These cases are, I think, under the JPC. How can I know about these cases ? सर, दूसरी बात है, जहां तक बंकिंग ग्रुप का प्रश्न है It is an entirely separate question अगर माननीय सदस्य गौर से देखें तो यह जो बंकिंग ग्रुप बनी है, यह बैंक आफ बड़ौदा की चेयरमैनशिप में बनी है और जो नान बैंकिंग फाइनेंशियल इंस्टीट्यूशन्स हैं, इनके क्या आगे काम होंगे, किस तरह से इसमें चैक होगा, जो डिपाजिटर्स है, उनकी क्या सिक्यूरिटी रहेगी, इस पर विचार करने के लिए सब-कमेटी गठित हुई थी।

SHRI S. JAIPAL REDDY : Mr. Chairman, Sir, the Minister told the House that the recommendations of the Working Group would be implemented in a phased manner. Will the hon. Minister be so good as to tell the House what the report is all about ? Will the report be placed on the Table of the House ?

Secondly, Mr. Chairman, Sir, why has the RBI not acted at all ? He is making a promise in regard to the future. There is need to see that the nationalised banks ....

SHRI MENTAY PADMANABHAM : There is no time left. Let the Minister reply.

श्री दलबीर सिंह : अभी जो बंकिंग ग्रुप की रिपोर्ट है, अभी सितम्बर, 1992 में आई है और अभी आर० बी० आई० को पेश हुई है। उसको हम देख रहे हैं। उसमें और भी यदि आपके सुझाव आते हैं तो उन पर भी गौर किया जाएगा।

MR. CHAIRMAN : The Question Hour is over.

WRITTEN ANSWERS TO QUESTIONS

Demand for Merger of DA with Basic Pay

*105. MAULANA OBAIDULLAH KHAN AZMI : Will the Minister of FINANCE be pleased to state :

(a) whether it is a fact that the unions of Central Government employees have constantly been demanding merger of DA with the basic pay of the employees;

(b) if so, what action Government have taken on their demand;

(c) what is the percentage of DA likely to be merged with pay;

(d) whether the Unions have also demanded for ad-hoc increase in the pay of the employees and creation of a permanent wage body; and

(e) if so, what are the details thereof and what action has been taken thereon ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SHANTARAM POTDUKHE) : (a) to (e) The Staff Side in the National Council of the Joint Consultative Machinery (JCM) have, *inter alia,* demanded merger of a portion of Dearness Allowance with the basic pay; 20 per cent increase in the basic pay and the setting up of a Permanent Wage Review Body. These demands have been under discussion with the representatives of the Staff Side and were last brought up in the meeting of the National Council (JCM) held on the 7th November, 1992. It was decided that a meeting of the National Council could be convened some time in April, 1993 to further deliberate on these issues.

Approval of Belthara Road Thermal Power Project

*106. SHRI SANGH PRIYA GAUTAM : Will the Minister of POWER be pleased to state :

(a) whether his Ministry have received the revised plan for the Belthara Road